



**King County Mental Health Chemical Abuse and Dependency Services Division
2002 Briefing Paper**

**HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT
(HIPAA)**

BACKGROUND:

HIPAA is a multifaceted act that covers many areas of health care delivery. It is a federal regulation that was passed in 1996 to reform the health insurance market and simplify health care administrative processes. There are several rules that health plans and providers will be required to comply with. There are expected to be nine rules in all. The first three are:

- The Transaction rule which governs collection and transmission of certain kinds of health related data;
- The Privacy rule which is concerned with the confidentiality of protected health information and guides when and how information can be disclosed; and
- The Security rule which establishes standards for security of individual health information and electronic signature use.

Implementation deadlines for the various rules are staggered. The transaction rule is scheduled to take effect in October 2002. There is a provision for obtaining a one-year extension, which MHCADSD and the State of Washington will be seeking. The Privacy rule becomes effective in April 2003.

ISSUES/CHALLENGES:

This regulation is very long, detailed, and complex. In order for us to comply with the rules, significant staff time and resources will be invested at the state, county, and provider levels in order to understand them and make necessary changes to data systems, policies, procedures, forms, notices to clients, and any other function of the organization that will be touched by the rules. Staff training on the regulation will also need to occur.

Failure to comply with HIPAA requirements will carry both civil and criminal penalties.

DATA:

While the federal regulation was passed under the guise of simplification, the actual process of implementation of the rules is quite complex and costly. A preliminary estimate of the cost to MHCADSD of implementing the first two rules (Standard Transaction and Privacy) was \$479,000.

RECOMMENDATION/LEGISLATIVE ACTION:

Request funding to implement federal HIPAA requirements. Compliance with HIPAA is not optional. These requirements add significantly to the administrative burden of managing our system at a time when there is a great deal of pressure to reduce administration. A supplemental budget request was submitted to the state in June to help defray the costs of implementation of this federal regulation but there is no guarantee that additional funds will be made available in these times of budget shortfalls.